

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Mark Acton, Vice Chairman; and
Robert G. Taub

Competitive Product Prices
Parcel Select Contract 2 (MC2012-16)
Negotiated Service Agreement

Docket No. CP2012-23

ORDER APPROVING AMENDMENT TO
PARCEL SELECT NEGOTIATED SERVICE AGREEMENT

(Issued August 8, 2014)

I. INTRODUCTION

The Postal Service seeks to amend a Parcel Select negotiated service agreement.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Filing Second Amendment to Parcel Select Contract 2, July 29, 2014 (Notice). The Amendment is an attachment to the Notice (Amendment).

In Order No. 1349, the Commission approved the Parcel Select Contract 2 negotiated service agreement.² On July 29, 2014, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On July 30, 2014, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, requesting supplemental information, and providing interested persons with an opportunity to comment.³

The Postal Service responded to the request for supplemental information on August 6, 2014.⁴ It stated that it intends for the Amendment to become effective one business day after the Commission issues all necessary regulatory approval. Response at 3. The Postal Service asserts that the Amendment will not materially affect the cost coverage of the contract. Notice at 1.

II. COMMENTS

Comments were filed by the Public Representative.⁵ No other person submitted comments. The Public Representative reviewed the original financial worksheets provided by the Postal Service in this proceeding, documentation filed with both Amendments, and previous comments submitted by the Public Representative. *Id.* at 2. Based on that review, he concludes that the Existing Agreement, as amended, should continue to generate sufficient revenues to cover costs and satisfy 39 U.S.C. § 3633(a). *Id.*

² See Docket Nos. MC2012-16 and CP2012-23, Order Adding Parcel Select Contract 2 to the Competitive Product List, May 22, 2012 (Order No. 1349). The contract was later amended. See Order No. 2033, Order Approving Amendment to Parcel Select Contract 2 Negotiated Service Amendment, March 27, 2014. The contract as amended in Order No. 2033 is referred to as the “Existing Agreement.”

³ Order No. 2137, Notice and Order Concerning Amendment to Parcel Select Contract 2 and Request for Supplemental Information, July 30, 2014.

⁴ Response of the United States Postal Service to Request for Supplemental Information, August 6, 2014 (Response). The Postal Service also filed a motion for late acceptance of its response. Motion of the United States Postal Service for Late Acceptance of Response to Request for Supplemental Information, August 6, 2014 (Motion). The Motion is granted.

⁵ Public Representative Comments on Notice of United States Postal Service of Filing Second Amendment to Parcel Select Contract 2, August 6, 2014 (PR Comments).

III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, Response, and the comments filed by the Public Representative.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Existing Agreement sets shipping prices for the customer's Parcel Select destination delivery unit pieces.⁶ The Amendment revises the Annual Adjustment provisions of the Existing Agreement to include prices for customer's Parcel Select destination sectional center facility 5-Digit pieces. Amendment at 1.

The Amendment does not materially affect the underlying financial analysis of the Existing Agreement. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective one business day after the Commission issues all necessary regulatory approval. Response at 3. The Existing Agreement, as amended, is set to

⁶ Docket Nos. MC2012-16 and CP2012-23, Request of the United States Postal Service to Add Parcel Select Contract 1 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, May 4, 2012, Attachment B; see Notice of the United States Postal Service of Filing Errata to Request and Notice, May 7, 2012 (Request).

expire on May 31, 2019 unless, among other things, either party terminates the contract with six months' written notice to the other party or it is renewed by mutual agreement.⁷

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within thirty days of the termination of the Existing Agreement, as amended, the Postal Service shall file the annual (contract year) costs, volumes, and revenues, disaggregated by rate category and weight associated with the amended agreement.

In conclusion, the Commission approves the Existing Agreement, as amended.

IV. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Parcel Select Contract 2 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.
3. Within thirty days after the Existing Agreement, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues disaggregated by rate category and weight associated with the contract.

By the Commission.

Ruth Ann Abrams
Acting Secretary

⁷ Request, Attachment B, at 6. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.